

Message Text

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ORIGIN NEA-16

INFO OCT-01 ISO-00 AID-20 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 SAM-01 AF-10 EUR-25 IO-14 IGA-02 TRSE-00

OMB-01 /164 R

DRAFTED BY NEA/IAI:EWBIZIC:SKG

APPROVED BY NEA/IAI:HHSTACKHOUSE

AID/SA/IR:MREED

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R 182225Z JUN 74

FM SECSTATE WASHDC

TO AMEMBASSY TEL AVIV

C O N F I D E N T I A L STATE 130344

E.O. 11652: GDS

TAGS: EAID, EFIN, IS

SUBJECT: U.S. ASSISTANCE TO ISRAEL - FY 75

1. ISRAELI EMBASSY ECONOMIC MINISTER SHER TOLD DEPTOFF
JUNE 16 IN INFORMAL CONVERSATION THAT AS OF JUNE 11 ISRAEL'S
NET FOREIGN EXCHANGE RESERVES STOOD AT DOLLARS 1,381 MILLION
DOWN ABOUT DOLLARS 300 MILLION IN FIRST FIVE MONTHS OF 1974.
SHER SAID THAT AS OF JUNE 14 WORLDWIDE ISRAEL BOND SALES
HAD REACHED DOLLARS 108 MILLION (REDEMPTIONS WOULD REDUCE
THAT TO DOLLARS 95 MILLION) AND DONATIONS TO UJA (INCLUDING
ISRAEL EDUCATION FUND) WERE DOLLARS 109.5 MILLION. RE LATTE
AMOUNT, ONLY DOLLARS 86 MILLION REPRESENTS FOREIGN EXCHANGE
TRANSFER FROM U.S., DOLLARS 13.2 MILLION WERE IN DONATIONS
OF ISRAEL BONDS, AND DOLLARS 10 MILLION WAS FROM REST OF
WORLD. HE ADDED THAT WHILE BOND SALES AND CONTRIBUTIONS
ARE NORMALLY SLOWER IN FIRST HALF OF YEAR, USUALLY INCREASIN
AROUND LATE SUMMER HIGH JEWISH HOLIDAYS, EXTENSIVE PROMOTION
EFFORTS THIS YEAR FOR NEW BOND ISSUE ALREADY SHOULD HAVE
PRODUCED BETTER SALES OR AT LEAST PLEDGES.

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2. SHER DISCOUNTED EFFECT DOLLARS 2.2 BILLION IN EMERGENCY U.S. ASSISTANCE TO ISRAEL MIGHT HAVE HAD ON POTENTIAL DONORS WHO MIGHT VIEW ISRAEL'S NEEDS AS ALREADY BEING CARED FOR. SHER ATTRIBUTED SLACK BOND SALES TO HIGH INTEREST RATES PREVAILING ON U.S. MONEY MARKET WHICH MAKE ISRAEL BONDS UNATTRACTIVE. HE POINTED OUT GOI MUST PAY 9.5 PER CENT INTEREST

FOR DOLLARS 300 MILLION IN COMMERCIAL CREDITS FOR FY-74 FMS SHER NOTED DIFFICULTY GOI HAS EXPERIENCED IN SELLING ITS 20-YEAR USG GUARANTEED PROMISSORY NOTES FOR FMS AND SAID LESS THAN DOLLARS 100 MILLION SOLD SO FAR.

3. SHER CONCLUDED FOREGOING FIGURES SHOW GOI FORECASTS OF CAPITAL TRANSFERS IN 1974 (DOLLARS 400 MILLION IN BOND SALES) WILL NOT BE REACHED. HE SAID THIS SITUATION WOULD JUSTIFY REVISED ADMINISTRATION FY 75 REQUEST TO CONGRESS FOR DOLLARS 250 MILLION, OR PERHAPS EVEN DOLLARS 350 MILLION IN SUPPORTING ASSISTANCE GRANT AID TO ISRAEL VICE ACTUAL REQUEST OF DOLLARS 50 MILLION SA.

4. ANY COMMENT ON ABOVE OR ADDITIONAL INFORMATION THAT EMBASSY ABLE SUBMIT WOULD BE APPRECIATED. SISCO

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